

**ORAL STATEMENT BY
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ACQUISITION, TECHNOLOGY, & LOGISTICS**

**SASC CHEMICAL DEMILITARIZATION HEARING
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2PM**

Good afternoon, Mr. Chairman, and distinguished Subcommittee Members. I thank you for the opportunity to appear before you today to discuss the status of the Chemical Demilitarization Program.

Today, I want to make three points concerning the Chemical Demilitarization Program.

First, if the Chemical Demilitarization Program had continued on its planned path, the United States would not have met the Chemical Weapons Convention extended 100 percent destruction deadline of April 2012, no matter how much funding was appropriated for the U.S. Chemical Demilitarization Program.

In November 2004, I chaired a Defense Acquisition Board to address the Chemical Demilitarization Program. At the Defense Acquisition Board, I was presented with three options. None of the options presented allowed the United States to meet the extended 100 percent Chemical Weapons Convention destruction deadline of April 2012. In fact, all options required more funding than was planned and more time to complete chemical agent destruction than the treaty extension may have allowed.

As a point of fact, the options appeared to me to endanger our opportunity to achieve even the 45-percent milestone. I felt this was unacceptable given all the effort by communities and the project management team to start destruction of almost 90 percent of the U.S. stockpile.

Second, given that no amount of money would meet the extended treaty deadline with the complex science, engineering and processes required by the current plan, I have taken aggressive steps to manage the life cycle cost and quality performance of the Chemical Demilitarization Program. At the same time, we are maintaining safety, meeting the 45 percent milestone, and holding out hope that there may be an alternate way of meeting the 100 percent extended deadline.

In December 2004, I gave two directions to the Chemical Demilitarization Program. First, I directed the program to prioritize funding to operating and constructed facilities to maximize our ability to meet the Chemical Weapons Convention extended 45 percent destruction deadline of December 2007. With the start up at Newport in less than 30 days, given the notification now before you, we will have commenced the destruction of 90 percent of our stockpile.

Next, I directed the Program Manager for Assembled Chemical Weapons Alternatives, which includes the last 10 percent of our stockpile, and the Army to develop potential alternatives that are safe, secure, timely, and cost effective. This 10 percent is divided between Blue Grass, Kentucky, which stores 2 percent of the stockpile, and Pueblo, Colorado, which stores 8 percent. At the time of my direction, Blue Grass and Pueblo were essentially green fields – that is undeveloped land – and they remain that way today.

I requested the analysis because of the unacceptably high risk and cost of the Assembled Chemical Weapons Alternatives program, and to maximize our ability to meet the Chemical Weapons Convention extended 100 percent destruction deadline. I expect to review these alternatives by the end of the third quarter of Fiscal Year 2005.

To highlight the importance of this issue, recent estimates project the life cycle cost of the program could range as high as 37 billion dollars. These estimates have been corroborated in part by the Department's Cost Analysis Improvement Group, or CAIG. While the CAIG estimates do place pessimism into their projections, unfortunately their estimates have been a better forecast of actual execution for this program, and may end up to be low as compared to the actual costs to perform.

I cite, for example, the continuing EPA concern over the Hydroxylate from Newport, changing the rules for environmental waste is beyond our management ability, and may yet cause me to have to not certify the Current Nunn-McCurdy Breach for Newport which would, by law, stop funding for that site.

This brings me to the third point I wanted to make today. I have taken additional steps to put in place a plan of action to manage the escalating life cycle cost and the timeline of the Chemical Demilitarization Program. Implementing this plan will provide the United States with a safe, secure, timely, and cost effective program to meet both the intent and the literal interpretation of its international obligation under the Chemical Weapons Convention, with some assistance from this committee if required.

On March 23, 2005, I took steps to implement a path forward for the Pueblo and Blue Grass sites. I directed the Program Manager for Assembled Chemical Weapons Alternatives to do the following.

First, identify changes to the existing design concept so the projects can be implemented with a recognition of cost as a major variable, and set targets of an estimated cost of 1.5 billion dollars for Pueblo and an estimated cost of 2 billion dollars for Blue Grass, in Fiscal Year 2002 constant dollars.

Next, develop revised project milestones and cost targets and appropriate incentives for cost, schedule, quality and safety achievements.

And last, provide a plan to reserve to the government the option of competition for future phases of the project.

These efforts are intended to ensure the best value for the taxpayer and meet our Chemical Weapons Convention obligations for the safe destruction of our chemical weapons.

The Fiscal Year 2006 President's Budget submittal reflects my direction. I respectfully request your support for this program by fully funding the Chemical Demilitarization Program.

The Department is fully committed to the safe, secure, timely, and cost effective destruction of the chemical weapons stockpiles. I welcome your comments on all aspects of our program's progress.

I thank you, Mr. Chairman, Mr. Ranking Member, and the other Members of the Subcommittee for the opportunity to testify today. I am happy to answer your questions.

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